

## Message Text

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ACTION SS-15

INFO OCT-01 AF-10 EUR-12 IO-13 ISO-00 EB-08 L-03  
FRB-03 OMB-01 ITC-01 SP-02 USIA-06 AGRE-00 AID-05  
CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 OIC-02  
SIL-01 STR-07 TRSE-00 CEA-01 NSC-05 /110 W  
-----037984 301200Z /20

P R 300912Z MAR 78  
FM AMEMBASSY DAR ES SALAAM  
TO SECSTATE WASHDC PRIORITY 8128  
INFO AMEMBASSY BRUSSELS  
AMEMBASSY KHARTOUM  
AMEMBASSY KINSHASA  
AMEMBASSY LIBREVILLE  
AMEMBASSY LONDON  
/AMEMBASSY LUSAKA 3665  
AMEMBASSY NAIROBI  
AMEMBASSY PARIS  
AMEMBASSY YAOUNDE  
USMISSION GENEVA  
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 DAR ES SALAAM 1356

FOR UNDERSECRETARY COOPER AND ASSISTANT SECRETARIES  
MAYNES (IO) AND KATZ (EB) FROM FRANK

E.O.11652: GDS  
TAGS: ETRD UNCTAD TZ  
SUBJECT: DUSCUSSIONS WITH MINISTER OF TRADE RELEGURA  
ON COMMON FUND NEGOTIATIONS

REF: KINSHASA 2920

1. ON AFTERNOON OF MARCH 28 DEPUTY ASSISTANT SECRETARY FRANK  
(IO) ACCOMPANIED BY ECONOMIC OFFICER WATERMY CALLED UPON  
MINISTER OF TRADE ALPHONSE RULEGURA. WITH RULEGURA WERE G.  
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RUTIHINDA, COMMISSIONER FOR FOREIGN TRADE, J.K. MUWOWO,  
PRINCIPAL SECRETARY OF MINISTRY OF TRADE, AND E.J. MBAGA,  
DIRECTOR, MULTILATERAL TRADE AFFAIRS.

2. AFTER EXCHANGE OF GREETINGS, RULEGURA REFERRED TO HIS TALKS  
WITH UNDERSECRETARY COOPER AND THAT HE HAD BEEN LOOKING FORWARD  
TO VISIT BY FRANK. RULEGURA SAID THAT HE HAD ASKED UNDERSECRETARY

COOPER FOR A PAPER OUTLINING US VIEWS ON RESUMPTION OF THE NEGOTIATIONS ON THE IAMOMFIND. RULEGURA ASKED WHETHER FRANK HAD BROUGHT A PAPER.

3. FRANK REPLIED THAT HE HAD NO PAPER BUT WOULD LIKE TO DISCUSS THE COMMON FUND NEGOTIATIONS WITH THEM IN AN INFORMAL WAY. FRANK MADE A PRESENTATION ALONG LINES OF REFTEL. PRESENTATION WAS FOLLOWED BY A NUMBER OF QUESTIONS RAISED BY TANZANIANS.

4. TANZANIANS STRESSED THE NEED FOR THE COMMON FUND TO PROVIDE SOME BENEFITS FOR EVEZIJQBMMODITY. SECOND WINDOW WAS ONLY POSSIBILITY FOR SOME COMMODITIES WITHIN THE INTEGRATED PROGRAM TO RECEICE BENEFITS SINCE SOME MAY NOT BE SUITABLE FOR STOCKING ARRANGEMENTS. THEY ALSO STRESSED THAT COMMON FUND COULD TAKE A GLOBAL VIEW OF COMMON FUND IN CONTRAST TO WORLD BANK AND REGIONAL DEVELOPMENT BANKS WHICH TENDED TO TAKE A COUNTRY VIEW OF PROBLEMS. THEY LAID PARTICULAR EMPHASIS ON THE NEED FOR OTHER MEASURES IN SISAL, RULEGURA MENTIONING THE NEED FOR RESEARCH INTO NEW END USES FOR SISAL.

5. FRANK REPLIED THAT THE COMMON FUND SHOULD DO FOR COMMODITIES WHAT OUTER INSTITUTIONS DO NOT DO, I.E., FACILITATE FINANCING OF BUFFER STOCKS. OTHER INSTITUTIONS HAD MORE EXPERIENCE AND CAPABILITY IN FINANCING OTHER MEASURES. FRANK SAID THAT WORLD BANK AND REGIONAL DEVELOPMENT BANKS ALREADY DOING QUITE A BIT IN COMMODITY-RELATED PROJECTS, NEARLY A BILLION DOLLARS LENT IN LAST CONFIDENTIAL

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FOUR YEARS IN AFRICA ALONE. WATERMAN POINTED TO NUMEROUS COMMODITY PROJECTS BY WORLD BANK IN TANZANIA'S CASHEWS, COTTON, TOBACCO, ETC. FRANK ADDED THAT IF THE BANK NEEDED TO DO MORE IN THE FIELD OF SISAL, THEN PERHAPS THE WORLD BANK WOULD CONSIDER A PROJECT PROPOSAL. THE UNITED STATES<sup>3</sup>) HE SAID, WOULD GIVE SERIOUS CONSIDERATION TO A PROPOSAL TO FINANCE END-USE RESEARCH IN SISAL MADE IN THE CONTEXT OF A PRODUCER-CONSUMER GROUP. WE WOULD NOT RULE OUT A CONTRIBUTION TO A PRODUCER/ CONSUMER EFFORT.

6. TANZANIANS SAID THAT THEY SAW COMMON FUND IN A COORDINATING ROLE ON OTHER MEASURES. IT COULD PERFORM THIS COORDINATEOG ROLE BETTER IF IT HAD SOME RESOURCES OF ITS OWN TO FILLWN GAPS AND NSUZPLEMENT THE ACTIVITIES OF OTHER INSTITUTIONS.

7. RUTIHINDA ASKED WHO WOULD HOLD THE CASH THAT WAS CONTRIBUTED TO AN INDIVIDUAL COMMODITY ORGANIZATION. WOULD THE INDIVIDUAL ORGANIZATION HOLD THE MONEY AND GIVE IT TO THE COMMON FUND ONLY WHEN THE FUND NEEDED IT TO LEND TO ANOTHER COMMODITY ORGRANIZATION? FRANK ANSWERED THAT ONE WOULD EXPECT THAT THE CASH WOULD HAVE TO BE DEPOSITED WITH THE COMMON FUND IN ORDER FOR AN ICO TO BE ABLE TO BORROW FROM THE FUND. THE ICO WOULD RECEIVE INTEREST ON CASH

DEPOSITED AND HAVE AN AUTOMATIC CALL ON THE MONIES IF IT NEEDED IT.

8. RUTIHINDA ASKED THEN WHY NOT HAVE MEMBER GOVERNMENTS OF THE COMMON FUND CONTRIBUTE THE MONEY DIRECT TO THE COMMON FUND SINCE THE COMMON FUND WOULD BE EVENTUALLY HOLDING THE MONEY ANYWAY. FRANK ANSWERED THAT THE CONTRIBUTIONS SHOULD BE MADE BY PRODUCERS AND CONSUMERS OF AN ICO WHO WOULD ALSO DETERMINE HOW MUCH FINANCING WAS REQUIRED FOR THAT PARTICULAR COMMODITY. MEMBERS OF THE COMMON FUND WOULD NOT MAKE CASH CONTRIBUTIONS TO FINANCE BUFFER STOCKS OF AN ICO FOR WHICH THEY WERE NOT A MEMBER. THIS IS AN ESSENTIAL POINT OF GROUP B PROPOSAL.

9. MBAGA SAID THAT ESSENTIAL POINT WAS WHETHER COMMON FUND OFFERED AN INCENTIVE TO HAVE INDIVIDUAL COMMODITY AGREEMENTS  
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FORMED. HE DID NOT SEE ANY INCENTIVE IN OUR PROPOSAL. WE NEEDED A STRONG COMMON FUND SINCE INDIVIDUAL COMMODITY ARRANGEMENTS, PARTICULARLY THOSE WHOSE PRODUCERS ARE DOMINATED BY THE LEAST DEVELOPED COULD NOT HOPE TO HAVE A FINANCIALLY VIABLE COMMODITY ARRANGEMENT IF THEY HAD TO CONTRIBUTE 50 PERCENT OF THE FINANCING.

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10. FRANK ANSWERED THAT OUR PROPOSAL WAS NOT FOR FINTY-FIFTY FINANCING BY PRODUCERS AND CONSUMERS, TI WAS FOR JOINT FINANCING WHICH MIGHT BE MORE OR LESS THAN 50 PERCENT FOR PRODUCERS OR CONSUMERS. WE HAD A FIRM POLICY THAT ANY COMMODITY AGREEMENT WE JOINED WOULD HAVE TO BE FINANCIALLY VIABLE. IF THE PRODUCERS OF A PARTICULAR COMMODITY WERE ALL VERY POOR, WE WOULD HAVE TO MAKE ALLOWANCES FOR THAT FACT IN THE BOINT FINANCING AGREEMENT. THE COMMON FUND PROPOSED BY GROUP B WOULD OFFER INCENTIVES TO INDIVIDUAL COMMODITY ORGANIZATIONS IN THAT IT WOULD REDUCE TOTAL FINANCIG REQUIREMENTS AND REDUCE THE COST OF BORROWING FOR AN ICO, ASSUMING THAT THE COMMON FUND, WITH POOLED RESOURCES AND POOLED RISKS, WOULD BE FINANCIALLY STRONGE THAN ANY INDIVIDUAL COMMODITY ORGNRIZATION. THE ABILITY OF THE COMMON FUND TO BORROW  
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AT REASONABLE RATES WOULD DEPEND ON ITS CREDIT RATING WHICH IN TURN WOULD BE A FUNCTION OF THE QUALITY OF ITS GUARANTEES, ITS CASH RESERVES, AND THE ABILITY OF ITS STAFF. THE UNITED STATES WAS PREPARED TO WORK TOWARD A COMMON FUND WITH A HIGH DEGREE OF CREDIT-WORTHINESS. THE SECOND WINDOW WOULD TEND TO UNDERMINE ITS CREDIT-WORTHINESS.

11. RULEGURA SUMMED UP DISCUSSION BY SAYING THAT WE UNDERSTOOD WELL EACH OTHER'S POSITIONS, THAT IT WOULD BE HARD FOR G77 TO YIELD ON BASIC PRINCIPLES (COMMENT: ASSUME THIS MEANS CENTRAL SOURCE FINANCE AND SECOND WINDOW. END COMMENT), THAT EVEN IF WE CONVINCED TANZANIA OF THE WISDOM OF OUR VIEWS, OTHER MEMBERS OF THE G77 MIGHT BE HARDER TO CONVINCE, BUT THAT THERE MAY BE SOME FLEXIBILITY IN THE G77 POSITION. AFTER ALL, HE SAID, WE ARE IN A NEGOTIATION. HE NOTED THE POSSIBLE FLEXIBILITY IN OUR POSITION ON SOME ITEMS REGARDING THE FIRST WINDOW AND OUR LACK OF FLEXIBILITY ON OTHER MEASURES.. WATERMAN CORRECTED RULEGURA TO SAY THAT U.S. WAS FLEXIBLE ON OTHER MEASURES BUT NOT ON THE SECOND WINDOW. RULEGURA SAID HE WOULD GIVE US MORE CONSIDERED VIEWS LATER,BUT A PIECE OF PAPER WOULD BE HELPFUL.

12. WATERMN ASKED WHETHER MLOKA, FORMER TANZANIAN AMBASSADOR TO BONN, HAD BEEN REASSIGNED. RULEGURA REPLIED HE WAS NOW PRINCIIPAL SECRETARY IN THE MINISTRY OF WORKS. RULEGURA SAID NO DECISION HAS BEEN MADE AS TO TANZANIAN REPRESENTATIVE TO NEXT SESSION OF COMMON FUND NEGOTIATING CONFERENCE.

13. FOLLOWING DISCUSSION OF COMMON FUND, FRANK INITIATED BRIEF  
DISCUSSION OF UN OVERVIEW COMMITTEE, TAKING OPPORTUNITY TO MAKE  
DEMARCHE ABOUT REPRESENTATION FROM CAPITALS.  
RULEGURA SEEMED ALMOST TOTALLY UNAWARE OF UN OVER-  
VIEW COMMITTEE ALTHOUGH RUIHINDA WAS FAMILIAR WITH IT. RULEGURA  
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SAID HE WOULD LET US KNOW WHETHER TANZANIA WOULD SEND A REPRESENTATIVE FROM DAR ES SALAAM.

14. COMMENT: CONVERSATION REVEALED THAT APPREHENSION AND  
MISUNDERSTANDING OF GROUP BE PROPOSAL RUNS DEEP. SOME PROGRESS MAY  
HAVE BEEN MADE IN ACHIEVING BETTER UNDERSTANDING, BUT TANZANIA IS  
PRETTY FIRMLY HOOKED ON ITS POSITION, AND IT MAY HAVE TROUBLE CHANG-  
ING IT. THE REASSIGNMENT OF MLOKA MAY GIVE US A GOOD OPPORTUNITY TO  
WORK WITH THE NEW TANZANIAN REP AT THE NEXT SESSION TO THE NEG-  
OTIATING CONFERENCE. JUSTINIAN RWEYEMAMU, FORMERLY OF THE PRESIDENT'S  
OFFICE AND NORTH-SOUTH THEORETICIAN, HAS TAKEN UP AN ASSIGNMENT  
ON THE STAFF OF THE BRANDT COMMISSION. RULEGURA AND HIS MINISTRY  
OF TRADE NOW SEEM TO BE FIRMLY IN CHARGE OF MULTILATERAL TRADE AND  
COMMODITY NEGOTIATIONS. IT IS DIFFICULT TO TELL WHETHER THEY WILL  
WORK FOR SOLID GAINS OR WILL REJECT OUR OVERTONES AND ESCALATE  
THE POLITICAL RHETORIC.  
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## Message Attributes

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